including Finland and Poland; but the policy which they adopted in dealing with it varied according to their respective geographical positions and their different political and economic connexions with pre-War Russia, as well as to their special affinities with, or revulsions from, other Powers or one another.

Estonia and Latvia had most to fear from the U.S.S.R. and most to gain from a close Baltic Union, partly on account of their common frontiers with the U.S.S.R., which exposed them to the infiltration of Communism to a dangerous extent, but chiefly because their territory had formerly contained the main outlets of Russian trade with the West. The old Russian ports of Riga, Windau (Ventspils), and Libau (Liepāja) were now Latvian, while Reval (Tallinn), Pernau (Pārnu), and Baltic Port (Paldiski) had fallen to Estonia. Of these, Libau and Baltic Port had been Tsarist Russia's principal naval bases, while Riga had been her third largest Western port, ranking after St. Petersburg and Odessa. All of them were linked up by railways with Great Russia.[1] The serious economic consequences for the new Republics, even more than for the U.S.S.R., of their political separation from their natural hinterland, are described elsewhere.[2]

Lithuania, who (after 1920) had no common frontier with the U.S.S.R., had less cause for anxiety in that direction, and was, therefore, relatively indifferent to the advantages of a Baltic Union. In any case successive Governments were preoccupied by prolonged disputes with Poland over Vilna, and later with Germany over Memel.[3] The Vilna dispute, in particular, prevented her for a long time from participating in any form of Baltic *bloc*, since the other interested Powers refused to sign any pact which might involve them in a conflict with Poland, while Lithuania herself refused to sign one from which that possibility had been eliminated.[4]

Finland[5] also, owing to her geographical position, was spared extreme fear of the Soviet Union, since even if the latter were to become involved in a war with Poland or Germany, Finnish territory and neutrality would not necessarily be violated. Moreover, a large proportion of the population, and particularly of the aristocracy, was Swedish, and there was a thriving Swedish political party; in consequence Finland showed a strong tendency to orientate towards the Scandinavian rather than towards the Baltic States, and a marked

[1] See map.

[2] These disputes are treated in detail in Section VI, p. 89.

[3] See below, pp. 192–4.

[4] Latvia's attitude towards the Vilna dispute was complicated by the fact that the trunk railway connecting the port of Liepāja with Romny, in Russia, passed through Lithuanian territory before entering Poland, so that her trade with that country, as well as with Russia, was affected by the closing of the Lithuanian-Polish frontier.

[5] Finland's foreign policy is dealt with in more detail in the handbook in this series dealing with the Scandinavian States.

642 361 in which case elections must take place within six weeks. The administration is entrusted to a Directorate of five members, who must be citizens of the Territory; the President is appointed by the Governor, and himself appoints the other members, but the Directorate holds office only so long as it possesses the confidence of the Diet.

648 ●504 It is stipulated in an Annex that the Lithuanian Government shall conform to the provisions of the Treaty of Versailles concerning the Niemen; that the port of Memel shall be considered as a port of international concern, and subject to the recommendation adopted by the Barcelona Conference; and that the harbour shall be administered by a Harbour Board consisting of three members, appointed respectively by the Lithuanian Government, the Memel Territory, and the League's Communications and Transit Organization.[1]

648 361 It is important to note that the Memel Convention is not an instrument of the League of Nations, although members of the Council may draw the attention of the Council to any infraction of its provisions, and Lithuania undertakes to submit all disputes between her and the other signatories to the Permanent Court of International Justice, whose decision is binding. Moreover, apart from the recognition of German and Lithuanian on the same footing as official languages, the Minorities Declaration made by Lithuania respecting the rest of her territories applies to Memel also. Unlike Danzig, however, Memel is placed under the guarantee of the four Allied Powers signatory to the Convention, and not under that of the League.

642 361 578 *The Working of the Convention, 1925–32.* The Constitution thus imposed on Memel created an extremely difficult situation. It became clear after the first elections to the Diet, when twenty-seven Germans and only two Lithuanians were returned, that the great majority of the population was anti-Lithuanian in sympathy. Yet the Governor appointed by the Lithuanian Government was expected to choose a Directorate having the confidence of the Diet. If he did so, he was bound before very long to lose the confidence of the Government at Kaunas; if he did not, his rule was unconstitutional. The result was that events in Memel tended to repeat themselves in a more or less regular series. Elections were usually followed at first by a period of relative calm; then came a phase of conflict between the Diet and the Governor, accompanied by frequent changes of Directorate; this was terminated by the dissolution of the Diet, and a period of unconstitutional administration by the Governor; finally Germany would appeal to the League Council, and the Governor

[1] The League nominee is to give special attention to international economic interests, but must not be a national of any riparian State of the Niemen; thus Lithuania gained her point in the dispute as to whether Poland should be represented on the Board.

439 tons British. The Niemen is navigable as far as the Lithuanian-
505 Polish 'administrative line', and is used for cargo traffic as far as
361 Kaunas.

361 The administration of the harbour is provided for in an annex to
504 the Memel Statute of 1924, and is controlled by a board consisting
475 of one member appointed by the Lithuanian Government, one by the Memel Directorate, and one by the League of Nations. Since 1924 noteworthy steps have been taken to improve the technical equipment of the port. The harbour has been extended and deepened, docks have been excavated, cranes have been installed, and ware-
[457] houses built, the cost, running into 'several tens of millions of lits',[1] being borne mainly by the Lithuanian Government. Some of the expenditure, however, has been met out of a loan issued by the city in 1927 amounting to 4,000,000 RM. nominal and offered in Germany.

361 As has already been mentioned, Memel is a comparatively impor-
438 tant industrial centre. Of the 1,056 industrial enterprises in Lithuania employing 5 or more workmen at the beginning of 1937, 137 were in Memel, and of the 30,561 persons employed in such industries throughout Lithuania, 8,112 were employed in the Memel Territory. The more important industries include sawmills, veneer works, chemical fertilizer plants, and cellulose undertakings. There are also textile and tobacco factories of some size.

361 Outside the industrial district of the Territory the principal
241 occupation is agriculture. It is impossible to give any indication as
439 to the volume of production, since the figures are included with those of Lithuania proper. According to the available information, however, there is normally a small surplus of production for export; and since the easiest, if not the only, market is East Prussia, the agricultural population of the Territory suffered considerably from the virtual suspension of commercial intercourse between Lithuania and Germany owing to the dispute of 1932–5. The Agreement of August 1936 was consequently followed by an appreciable improvement.

361 The Statute of 1924 gives the Administration powers to levy direct
651 and indirect taxation inside the Territory with the exception of
[652] Customs and excise duties and certain monopolies. The Territory has a separate budget, which in 1934 balanced at about 14 million lits. The only funded debt outstanding is the loan of 1927 already mentioned.[2] Owing to the harbour's international importance, there is a comparatively large number of commercial and other banks domiciled in the Territory.

[1] *Lithuanian Telegraph Agency (Elto) Service*, March 1936.

2 [see above, line 12 -- Analyst]

1: Anonymous U-4 (no date) 1938 RB1 Baltic States RB1

APPENDIX II

COMMUNICATIONS

504 The Baltic States as a whole are not remarkably well provided with communications. It is true that both Estonia and Latvia each possess one harbour of great importance, viz. Tallinn and Riga, and a number of other ports, but Lithuania's seaboard is small and her sovereignty
496 over her only harbour, Memel (Klaipeda), is limited. On the other hand, nearly all the railways at present in use were built in the days of the Russian Empire, often with strategic considerations in view, and it is, therefore, not surprising that the railway system is not well adapted to meet the requirements of three independent States. Though there are hardly any natural obstacles such as mountains, the adapting of the railways to their national requirements since the War has been limited
494 by the scarcity of capital. Finally, the road system inherited from Imperial Russia was poor, though it has been somewhat improved since the War.

(1) *Shipping*

505 The relative importance of the most important harbours can be judged from the following figures:

Shipping entered (in thousand net registered tons) in 1937, including coastal traffic

Riga	1,243
Tallinn	957
Memel	845
Ventspils	325
Liepāja	298

Most of the shipping entering these ports is foreign except in the case of Latvia. Of the total net registered tons of shipping entering the principal Latvian ports in 1937 about 29 per cent. was German, 26 per cent. Latvian, 11 per cent. Danish, and rather less British, while the next most important flags were Swedish and Norwegian.

The merchant fleets of Estonia and Latvia are small, and for the most part are chiefly occupied in local transport. That of Lithuania is at present of negligible importance. The total tonnage of merchant vessels[1] owned by Estonia on June 30, 1936, was 155,000 tons, and that of Latvia 170,000 tons, in each case nearly all the vessels being steamers. During 1937 the Latvian Government assisted in the formation of a shipping company, which has decided to order two modern cargo boats of 2,000 tons gross each to start a passenger and goods service between Latvia and British and German ports, and in other ways the Government has given much assistance to Latvian shipping. Proposals are made from time to time in Lithuania with a view to the foundation of a merchant fleet, but the only important step so far taken in this direction has been the purchase in 1935 of some small ships by the *Maistas* co-operative association. The Baltic ports are served by a number of

[1] Of 100 tons and over.

505 regular sailings of British, German, Finnish, and Scandinavian lines. Of these may be mentioned the United Baltic Corporation, which maintains weekly services between London and Memel, Riga, and Tallinn.

● 504 The ports of Riga and Tallinn are blocked by ice in the winter months, especially February and March, but in each case channels for steamers are kept open by ice-breakers. While Latvia's trade is thus subject to disorganization, Liepāja and Ventspils are generally free of ice and consequently do a considerable trade in the winter, although accommodation in the ports is limited. Moreover, plans are at present being considered for the further development of a river harbour on the Lielupe at Jelgava. On the other hand, congestion in Tallinn can be relieved only by the use of the small ports of Narva-Joesuu, Pārnu, and Paldiski. Memel also is blocked by ice in winter, though an ice-breaker is used. Communication can, however, be maintained through the Latvian port of Liepāja. It may be mentioned that for some years the Lithuanian Government has been attempting to develop a small fishing village, Sventoji, near the Latvian frontier, with a view to providing an alternative port to Memel, though progress in this direction has not so far been great.

(2) *River Navigation*

133 Estonia has few navigable waterways, the Narva, which connects
487 Lake Peipus with the sea, being perhaps the most important. Both Latvia and Lithuania, however, possess rivers which are indispensable for the moving of timber. The principal navigable rivers in Latvia are the Daugava, the Gauga, and the Lielupe; in Lithuania, the Niemen (Nemunas). A canal joins the Niemen to the Bobr, which flows into the Narew, a tributary of the Vistula. The canal is, however, in Polish territory. The Berzune, a tributary of the Niemen, is also joined to the Daugava by a canal. Finally, it should be remembered that most, if not all, of the inland waterways of these countries are closed by ice for three to four months of the year.

(3) *Railways*

496 As already mentioned, the railway system inherited from Russia bore little relation to the new national requirements. For example, Russia had no object in linking Memel to Kovno, since Memel was in Germany, and Russia had built Libau expressly to be independent of German communications. Moreover, many of the lines were built (or not built) for purely strategic reasons, and nearly all were of the broad Russian gauge. It was natural, too, that they tended to radiate from centres in Russia with which, as has been seen, the Baltic States were to trade far less than before the War. Finally, the War had led to the wholesale destruction of stations, bridges, and other buildings, and even to the removal of locomotives and rolling-stock. Thus, the problems with which the new States were faced were considerable.

493 Reconstruction began soon after the War. In almost every case the
127 railways were taken over by the State. The amount of repairs which

23: Shabad N-4 (no date) 1951 Rl Soviet Union Rl
Balte Countries RB1

spit, lies Rigas Yurmala (Rigas Jurmala), which the Russians call *Vzmor'ye*. This noted vacation area, which consists of nine adjacent seaside resorts extending for more than 10 miles along the beach, was incorporated into the city in 1946. The population of Riga, which amounted to about 400,000 on the eve of the Second World War, was 390,000 in 1947.*

South of Riga, on the railroad to Kaunas, is Yelgava (Jelgava—German *Mitau*, Russian *Mitava*), the largest textile center of the republic, engaged mainly in linen milling; it is also the seat of an important sugar industry.

The port of Liepaya (Liepāja—German *Libau*, Russian *Libava*), the second largest of the republic, is ice-free nearly all year round. It has important shipbuilding, docking, and naval-base installations. Site of the only metallurgical (steel milling) plant of the Baltic Region, it has railroad repair shops, machine construction works, and chemical, lumber, and fish-canning industries.

To the north is the third port of Latvia, Ventspils (German *Windau*, Russian *Vindava*), which also engages in metalworking, lumber, and light industries.

Daugavpils (German *Dünaburg*, Russian *Dvinsk*), the center of Latgale, lies in the most densely settled portion of the republic, at the intersection of important rail and highway routes. It has important railroad shops, as well as metalworking, furniture, textile, and food industries.

Estonian Soviet Socialist Republic

Capital, Tallin (Tallinn); area, 17,400, population, 1,000,000

The Estonian SSR is the northernmost Baltic republic, situated between the gulfs of Finland in the north and Riga in the southwest. Its area and population are smaller than those of either Latvia or Lithuania. The republic includes the seventy islands of the Moonsund archipelago, off the west coast, including Sarema (Saaremaa), Khiuma (Hiiumaa), Mukhu (Muhu), and Vormsi.

In the northern part is a lowland, having large sandy and swampy expanses. It breaks off abruptly on the coast of the Gulf of Finland, forming cliff-like limestone escarpments. The coast here is deeply dissected and contains a large number of good natural harbors. Toward the south the relief becomes hilly and rises in glacial moraines to over

* An estimate based on the Republic election.